

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA)	Criminal No. 02-444-A
)	
)	Count 1: 18 U.S.C. §371
v.)	[Conspiracy To Defraud The
)	United States And To Cause
)	Prohibited Kickbacks To Be
MARCO A. URREA)	Included In The Contract Price
)	Charged To The United States
Defendant)	By A Prime Contractor, In
)	Violation Of 41 U.S.C. §53(3)]
)	

STATEMENT OF FACTS

If this matter were to proceed to trial, the United States would prove the following beyond a reasonable doubt.

I. INTRODUCTION

1. TRW, Inc., ("TRW") was headquartered in Cleveland, Ohio. Through its Space and Electronics Division, TRW operated a facility at Redondo Beach, in Los Angeles County, California.

2. The National Reconnaissance Office (the "NRO") was an intelligence organization of the United States Government, with its headquarters in Chantilly, Virginia. Throughout the 1990's and up to the present, the United States Department of Defense ("DOD") and the NRO maintained contracts with TRW that TRW performed at its Redondo Beach facility.

3. Bob Parrett Construction Company (hereinafter referred to as "Parrett Construction") performed multi-purpose commercial construction projects throughout the greater Los Angeles

metropolitan area, including projects for TRW at Redondo Beach. In March 1996 Parrett Construction was awarded a blanket contract with TRW based upon Parrett Construction's agreement with TRW wherein Parrett Construction agreed to charge TRW a certain hourly rate for different types of skilled labor on TRW construction projects that totaled less than \$25,000. That figure was changed to \$50,000 in May 2000. The blanket contract also allowed Parrett Construction, as a general contractor, to bill TRW a markup or burden of three per cent of what Parrett Construction paid to subcontractors for work on a Parrett Construction/TRW project.

4. Using the blanket contract agreement, TRW building managers had discretion to hire Parrett Construction, without competitive bidding, on various construction, repair, or maintenance projects costing (until May 2000) less than \$25,000. If the cost of the project appeared to exceed \$25,000, TRW building managers were obligated to seek competitive bids from at least two construction companies.

5. Jeffrey A. Zmina was a TRW employee at Redondo Beach who in 1997 became a structural department supervisor responsible for modifications to, as well as maintenance for, certain TRW buildings that were used in TRW's performance of NRO and DOD contracts.

6. The defendant MARCO A. URREA was an employee of Parrett Construction since 1991. From 1996 until approximately January 2001, defendant URREA worked as the Parrett Construction project manager for TRW at Redondo Beach. In accordance with the blanket agreement, defendant URREA entered into agreements with TRW building managers to repair, maintain, or modify certain TRW facilities that were used by TRW in its performance of United States Government contracts, including contracts with the NRO and the DOD.

II. DEFENDANT URREA'S AGREEMENT TO PAY GRATUITIES TO JEFFREY A. ZMINA

7. As a structural department supervisor for TRW, Jeffrey A. Zmina had discretion under the blanket contract to hire Parrett Construction, without competitive bidding, to perform maintenance or construction tasks on TRW buildings under his (Zmina's) supervision, provided that the task could be performed (until May 2000) for less than \$25,000. Beginning sometime in 1997 and continuing until approximately August 1999, Jeffrey A. Zmina solicited and accepted, through defendant URREA, gratuities paid for by Parrett Construction.

8. With the permission of Parrett Construction officials, defendant URREA arranged for Parrett Construction to pay for a number of gratuities on Jeffrey A. Zmina's behalf, worth in total approximately \$77,000. Defendant URREA paid the gratuities with

intent to reward Jeffrey A. Zmina for favorable treatment at TRW's Redondo Beach facility. The gratuities are listed below.

ZAMINA: MISCELLANEOUS GRATUITIES IN 1997-1998

9. In 1997 or 1998, defendant URREA arranged for Parrett Construction to purchase a personal computer at Best Buy for Zmina. The cost of the computer was approximately \$2,020. During the same time period, defendant URREA also arranged for the purchase for Jeffrey A. Zmina of Home Depot tools (\$1,000), golf clubs (\$845), a fence (\$1,465), and backyard brickwork (\$2,000).

10. In 1997 and again in 1998, defendant URREA accompanied Zmina to the Comdex Computer Show in Las Vegas, Nevada. Each trip involved a two night stay at the MGM. Defendant URREA arranged for Parrett Construction to pay for Jeffrey A. Zmina's hotel bills and some other expenses on both trips, costing approximately \$1,250 per trip.

ZMINA: CAR REPAIR IN 1999

11. In May 1999, defendant URREA arranged for Parrett Construction to pay Jeffrey A. Zmina \$4,589.26 to repair Zmina's vehicle. Defendant URREA had an understanding with another TRW employee "M1" that, in order to pay for Zmina's car repair, he ("M1") would approve a release or authorization for Parrett Construction to perform a specific project at Redondo Beach and that Parrett Construction would be allowed to submit an inflated

bill for the project sufficient to pass on to TRW, or to TRW's customer, the costs of Zmina's car repair.

ZMINA: 1999 REMODELING COSTS ON THE HUNTINGTON BEACH HOME

12. Defendant URREA agreed to help Jeffrey A. Zmina move out of his house in Victorville, California, and remodel his new home in Huntington Beach, California. In connection with these remodeling costs, defendant URREA arranged for Parrett Construction to pay the following on behalf of Jeffrey A. Zmina:

Hesperia Storage & Transfer (storage of furniture): \$2,724.26
JJK Rolloff (use of a dumpster): \$350
Home Depot (kitchen appliances and cabinets): \$9,801.43
Home Depot (bathroom fixtures and cabinets): \$2,219.17
Home Depot (doors and molding): \$938.98
Interior Experts (drywall): \$4,800
R.E. Williams (fireplace brickwork): \$2,200
Perry Masonry (tile and granite counter tops): \$10,129
I.E.C.C. (electrical rewiring): \$9,896
Webster Flooring (wood floors and carpet): \$8,426.50
Webster Flooring (blinds): \$1,855
Webster Flooring (carpet): \$1000
Smith & Son's (windows): \$4,562.83
Steve's Plumbing (plumbing): \$3,700

III. DEFENDANT URREA'S AGREEMENT TO PAY GRATUITIES TO OTHER TRW EMPLOYEES

13. From 1996 through 2000, TRW building manager "M1" solicited defendant URREA (and obtained) approximately \$5000 in miscellaneous items with intent to be influenced or rewarded in connection with TRW/Parrett Construction business involving Redondo Beach facilities used by TRW on NRO and DOD contracts.

14. In 1999, another TRW building manager "M2" solicited defendant URREA for assistance in paying for furniture and home

remodeling. With intent to influence or reward "M2" in connection with TRW/Parrett Construction business, involving Redondo Beach facilities used by TRW on NRO and DOD contracts, defendant URREA arranged for Parrett Construction to pay approximately \$26,462 for the requested furniture and remodeling.

15. In 1998 with intent to reward TRW building manager "M3" in connection with TRW/Parrett Construction business, involving Redondo Beach facilities used by TRW on NRO and DOD contracts, defendant URREA facilitated the delivery of \$10,000 in cash from Parrett Construction to "M3" for the purchase of a car. Defendant URREA also facilitated the purchase of a \$3,000 used Rolex watch for "M3".

IV. DEFENDANT URREA'S BILLING TRW FOR NON-EXISTENT WORK

16. In 1999, TRW building manager "M4" authorized defendant URREA to bill TRW approximately \$25,000 for non-existent roof work on a TRW building, used in connection with NRO and DOD contracts. "M4" told defendant URREA that these funds could be used to cover the costs associated with remodeling the home of a Parrett Construction official. Defendant URREA created a fictitious job number in the Parrett Construction accounting records and submitted a bill in the approximate amount of \$25,000 to "M4" at TRW. Defendant URREA then told the Parrett Construction official of the \$25,000 windfall and that the remodeling costs in question (up to approximately \$25,000) could

be expensed under the fictitious Parrett Construction job number. As a result of the approval of "M4", TRW subsequently paid the fictitious bill.

V. PASSING ON THE COST OF GRATUITIES TO TRW AND ITS CUSTOMERS

17. From 1996 through 2000, in accordance with its NRO and DOD contracts, TRW was allowed to bill the NRO and the DOD, in the form of engineering overhead costs, approximately 94 per cent of certain occupancy overhead costs associated with the TRW performance on NRO and DOD projects. These occupancy overhead costs included costs incurred from TRW subcontractors, including Parrett Construction, involved in modifying or maintaining certain TRW buildings used in the performance of NRO and DOD contracts. In order to spread these occupancy overhead costs over the time period of performance, TRW was allowed to periodically bill the NRO and the DOD an agreed engineering overhead rate as a percentage of the direct engineering labor costs associated with the project in question. When performance was completed under the contract, the NRO and the DOD examined TRW's overhead costs to determine whether the periodic overhead payments sufficiently covered (or overpaid) these legitimate costs. At the close of the contract, the parties made final adjustments to cover the agreed upon overhead costs associated with the contract.

18. Defendant URREA knew that, when he submitted Parrett Construction Construction invoices to TRW, he was submitting as backup to the invoices cost detail reports that often inflated (i) the amount or level of labor hours spent on the projects and (ii) the amount paid to subcontractors working under defendant URREA'S general supervision. In accordance with a mutual understanding that he had with some of the TRW employees, defendant URREA inflated these figures on the cost detail reports in part to avoid having Parrett Construction suffer an unreimbursed out of pocket loss whenever it paid for a gratuity to a TRW employee. This enabled Parrett Construction to pass on to TRW and to TRW's customers, including the United States Government, the ultimate cost of any such gratuities.

VI. TRW'S SUBMISSION OF A DECEMBER 1999 INVOICE TO THE NRO IN THE EASTERN DISTRICT OF VIRGINIA

19. On December 22, 1999, in Chantilly, Virginia, in the Eastern District of Virginia, in accordance with an NRO/TRW Redondo Beach contract, TRW billed the NRO for engineering labor hours and overhead costs incurred during the period of December 4 through December 17, 1999. Along with certain other expenses, TRW included within these engineering overhead costs 94 per cent of its occupancy costs at Redondo Beach. Occupancy costs included, among other items, maintenance and repair costs paid to Parrett Construction during that December time period. During that time period, TRW paid two Parrett Construction bills for a

combined amount of \$45,330. The two Parrett Construction bills in question overstated labor hours and subcontractor costs in part to cover two gratuities paid to Jeffrey A. Zmina for home remodeling earlier in 1999, namely, a Home Depot expense of \$9,801 and a Webster Flooring expense of \$8,426. Therefore, 94 per cent of these improper costs were submitted in whole or in part as indirect engineering overhead costs on TRW's invoice to the NRO on December 22, 1999.

Respectfully submitted,

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Seen and agreed:

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Defendant

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